

**HAMPTON-DUMONT  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2009 Election)

Ryan Winters	President	2009
Ron Raney	Vice President	2011
Scott Sackville		2011
John Showalter		2009
Verla Pecha		2009
Kristin Wraage		2011
Stacy Miller		2011

(After September 2009 Election)

Ron Raney	President	2011
Stacy Miller	Vice President	2011
Scott Sackville		2011
Thomas Brolsma		2013
Jennifer Hansen		2013
Kristin Wraage		2011
Chad Hanson		2013

School Officials

Todd Lettow	Superintendent
Lisa Lewis	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Hampton-Dumont Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2011 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

February 5, 2011

# **HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Hampton-Dumont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$11,179,502 in fiscal 2009 to \$11,101,763 in fiscal 2010, while General Fund expenditures increased from \$10,384,844 in fiscal 2009 to \$11,058,248 in fiscal 2010.
- The decrease in General Fund revenues was primarily attributable to a midyear state aid cut that was only partially offset by increased federal revenues. The increase in expenditures was due to increased spending primarily in the instructional areas.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hampton-Dumont Community School District acts solely as agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds, as well as a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Hampton-Dumont Community School District Annual Financial Report**

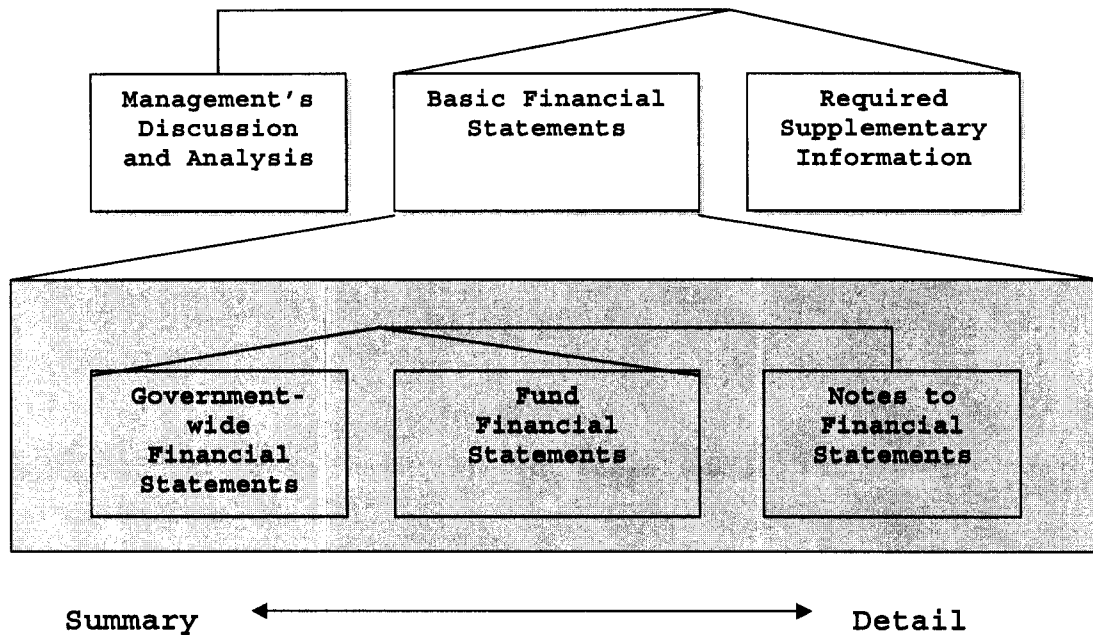


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District also has an Internal Service Fund which it uses to account for health insurance benefits.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 8,999	12,032	169	161	9,168	12,193	-24.81%
Capital assets	11,800	12,054	109	85	11,909	12,139	-1.89%
Total assets	20,799	24,086	278	246	21,077	24,332	-13.38%
Current liabilities	6,121	9,292	11	8	6,132	9,300	-34.06%
Non-current liabilities	8,052	8,473	-	-	8,052	8,473	-4.97%
Total liabilities	14,173	17,765	11	8	14,184	17,773	-20.19%
Net Assets							
Invested in capital assets, net of related debt	4,170	3,879	109	85	4,279	3,964	7.95%
Restricted	2,311	1,846	-	-	2,311	1,846	25.19%
Unrestricted	145	596	158	153	303	749	-59.55%
Total net assets	\$ 6,626	\$ 6,321	267	238	6,893	6,559	5.09%

The District's combined net assets increased by over 5%, over the prior year. This was primarily due to increases in the General and Capital Projects Funds and capital asset purchases.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased by approximately \$446,000, however, a large part of this decrease was due to early retirement benefits that will be paid from management fund tax levies in future years. Since we are unable to show those levies as receivables in the current financial statements, the liabilities which have been incurred must reduce unrestricted assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2010	2009	2010	2009	2010	2009	2009-2010	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 374	386	267	270	641	656	-2.29%
Operating grants, contributions and restricted interest	3,146	2,297	394	349	3,540	2,646	33.79%
General revenues:							
Property taxes	4,842	4,737	-	-	4,842	4,737	2.22%
Income surtax	168	142			168	142	18.31%
Statewide sales, services and use tax	671	1,070	-	-	671	1,070	-37.29%
Unrestricted state grants	4,012	5,128	-	-	4,012	5,128	-21.76%
Unrestricted investment earnings	28	54	-	-	28	54	-48.15%
Other	87	45	-	-	87	45	-93.33%
Total revenues	13,328	13,859	661	619	13,989	14,478	-3.38%
Program expenses:							
Governmental activities:							
Instruction	8,338	7,598	-	-	8,338	7,598	9.74%
Support services	3,129	2,815	-	-	3,129	2,815	11.15%
Non-instructional programs	-	-	632	590	632	590	7.12%
Other expenses	1,555	1,853	-	-	1,555	1,853	-16.08%
Total expenses	13,022	12,266	632	590	13,654	12,856	6.21%
Change in net assets	\$ 306	1,593	29	29	335	1,622	-79.35%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses. This reflects the District increasing the portion of expenses that directly effect classroom education.

#### Governmental Activities

Revenues for governmental activities were \$13,327,679 and expenses were \$13,022,001 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 8,338	7,598	9.74%	5,445	5,497	-0.95%
Support services	3,129	2,815	11.15%	3,047	2,777	9.72%
Other expenses	1,555	1,853	-16.08%	1,010	1,308	-22.78%
Totals	\$ 13,022	12,266	6.16%	9,502	9,582	-0.83%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$374,372.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,151,392.
- The net cost of governmental activities was financed with \$4,842,145 in property taxes (a two percent increase) and \$4,011,804 in unrestricted state grants (a 22 percent decrease).

#### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2010 were \$661,587 and expenses totaled \$632,168. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balances of \$2,368,498, a 5% increase from last year's ending fund balance of \$2,245,538.

#### **Governmental Fund Highlights**

- The District's General Fund financial position increased slightly during the past year. Allowable growth of 4% or less is inadequate to afford regular salary increases as well as increased costs for other items.
- The statewide sales, services and use tax is being used for infrastructure projects and/or debt reduction.
- Midyear state aid cuts pose a major problem to proper planning. The District was fortunate to have begun cost containment measures in prior years which allowed it to maintain a positive General Fund position despite the largest state aid cut in history.

#### **Proprietary Fund Highlights**

The School Nutrition Fund balance increased approximately \$29,000 during the fiscal year ending June 30, 2010. This was a result of good participation and careful monitoring of expenses.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$387,000 less than budgeted receipts. Additional federal revenues did not cover the shortfall in state revenues.

The District exceeded the published budget in the support services and non-instructional programs functions by less than 2% in each. This was offset by less than expected spending in the other expenditures function. The District had a positive General Fund unspent authorized budget at June 30, 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested over \$11.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$400,182.

The original cost of the District's capital assets was \$15,855,205. Governmental funds account for \$15,692,115, with the remainder of \$160,390 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 203	209	-	-	203	209	-2.87%
Buildings	11,137	11,432	-	-	11,137	11,432	-2.58%
Furniture and equipment	460	412	109	85	569	497	14.49%
Totals	<u>\$ 11,800</u>	<u>12,053</u>	<u>109</u>	<u>85</u>	<u>11,909</u>	<u>12,138</u>	<u>-1.89%</u>

The District has sold, or is in the process of selling, both the Dumont and old Middle School sites. This should result in operational savings in the General Fund.

### Long-term Debt

The District has \$6,520,000 of general obligation bonds outstanding at the end of the current fiscal year.

The District has outstanding revenue bonds of \$1,110,000 for additions/renovations to the elementary buildings.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 6,520	6,855	-4.89%
Revenue bonds	1,110	1,320	-15.91%
Early retirement	416	298	39.60%
Total	<u>\$ 8,046</u>	<u>8,473</u>	<u>-5.04%</u>

The District has implemented an early retirement program over the past three years in order to reduce operating costs in the General Fund while having the least effect possible on academic programs.

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- Statewide sales, services and use tax is being used for debt reduction resulting in property tax relief for the taxpayers.
- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Allowable growth of 4% or less is inadequate for the District to adequately maintain all of its educational programs, let alone expand offerings.
- Midyear state aid cuts prevent the District from being able to do proper long-term planning.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, 601 12<sup>th</sup> Ave NE, Hampton, Iowa 50441.

## Basic Financial Statements

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,588,585	152,223	3,740,808
Receivables:			
Property tax:			
Current year	59,621	-	59,621
Succeeding year	4,808,177	-	4,808,177
Income surtax	144,908	-	144,908
Due from other governments	172,524	-	172,524
Other receivables	224,825	-	224,825
Inventories	-	17,417	17,417
Capital assets, net of accumulated depreciation	11,800,454	108,821	11,909,275
<b>Total assets</b>	<b>20,799,094</b>	<b>278,461</b>	<b>21,077,555</b>
<b>Liabilities</b>			
Accounts payable	277,526	-	277,526
Accrued salary and benefits	723,918	11,396	735,314
Accrued interest payable	25,158	-	25,158
Deferred revenue:			
Succeeding year property tax	4,808,177	-	4,808,177
Federal programs	231,915	-	231,915
Long term liabilities:			
Portion due within one year:			
Early retirement	104,436	-	104,436
Revenue bonds payable	220,000	-	220,000
General obligation bonds payable	350,000	-	350,000
Portion due after one year:			
Net OPEB liability	61,000	-	61,000
Early retirement	311,118	-	311,118
Revenue bonds payable	890,000	-	890,000
General obligation bonds payable	6,170,000	-	6,170,000
<b>Total liabilities</b>	<b>14,173,248</b>	<b>11,396</b>	<b>14,184,644</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,170,454	108,821	4,279,275
Restricted for:			
Physical plant and equipment levy	8,425	-	8,425
Capital projects	947,638	-	947,638
Debt service	638,908	-	638,908
Categorical funding	233,116	-	233,116
Employee health insurance	443,698	-	443,698
Unrestricted	183,607	158,244	341,851
<b>Total net assets</b>	<b>\$ 6,625,846</b>	<b>267,065</b>	<b>6,892,911</b>

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 8,338,103	352,775	2,540,407	(5,444,921)	-	(5,444,921)
Support services:						
Student services	276,310	-	-	(276,310)	-	(276,310)
Instructional staff services	560,675	-	-	(560,675)	-	(560,675)
Administration services	1,055,358	-	-	(1,055,358)	-	(1,055,358)
Operation and maintenance of plant services	889,838	-	59,818	(830,020)	-	(830,020)
Transportation services	346,519	21,597	-	(324,922)	-	(324,922)
	3,128,700	21,597	59,818	(3,047,285)	-	(3,047,285)
Other expenditures:						
Long term debt:						
Interest	318,477	-	15,797	(302,680)	-	(302,680)
Services	7,611	-	-	(7,611)	-	(7,611)
Facilities acquisition and construction	328,844	-	23,181	(305,663)	-	(305,663)
AEA flowthrough	506,620	-	506,620	-	-	-
Depreciation (unallocated)*	393,646	-	-	(393,646)	-	(393,646)
	1,555,198	-	545,598	(1,009,600)	-	(1,009,600)
Total governmental activities	13,022,001	374,372	3,145,823	(9,501,806)	-	(9,501,806)

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	632,168	267,170	394,417	29,419
			-	29,419
Total	\$ 13,654,169	641,542	3,540,240	29,419
			(9,501,806)	(9,472,387)
<b>General Revenues:</b>				
Property tax levied for:				
General purposes			\$ 3,726,165	-
Management fund			219,610	-
Capital outlay			290,984	-
Debt service			605,386	-
Income surtax			168,031	-
Statewide sales, services and use tax			671,437	-
Unrestricted state grants			4,011,804	-
Unrestricted investment earnings			27,688	-
Undepreciated cost of capital assets disposed of during FY10			(26,371)	-
Other			112,750	-
Total general revenues			9,807,484	-
Change in net assets			305,678	29,419
Net assets beginning of year			6,320,168	237,646
Net assets end of year			\$ 6,625,846	267,065
				6,892,911

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Total
<b>Assets</b>							
Cash and pooled investments	\$ 1,365,326	39,189	268,995	15,657	656,586	779,192	3,124,945
Receivables:							
Property tax:							
Current year	45,933	-	2,706	3,502	7,480	-	59,621
Succeeding year	3,789,444	-	100,000	302,995	615,738	-	4,808,177
Income surtax	144,908	-	-	-	-	-	144,908
Other governmental receivables	-	-	-	-	-	172,524	172,524
Other receivables	224,825	-	-	-	-	-	224,825
<b>Total assets</b>	<b>\$ 5,570,436</b>	<b>39,189</b>	<b>371,701</b>	<b>322,154</b>	<b>1,279,804</b>	<b>951,716</b>	<b>8,535,000</b>
<b>Liabilities:</b>							
Accounts payable	\$ 262,714	-	-	10,734	-	4,078	277,526
Accrued payroll and benefits	703,976	-	-	-	-	-	703,976
Deferred revenue:							
Succeeding year property tax	3,789,444	-	100,000	302,995	615,738	-	4,808,177
Income surtax	144,908	-	-	-	-	-	144,908
Federal programs	231,915	-	-	-	-	-	231,915
Total liabilities	5,132,957	-	100,000	313,729	615,738	4,078	6,166,502
<b>Fund balances:</b>							
Reserved for:							
Categorical funding	233,116	-	-	-	-	-	233,116
Reserved for debt service	-	-	-	-	664,066	-	664,066
Unreserved, reported in							
Capital projects	-	-	-	-	-	947,638	947,638
Special revenue funds	-	39,189	271,701	8,425	-	-	319,315
General Fund	204,363	-	-	-	-	-	204,363
Total fund balances	437,479	39,189	271,701	8,425	664,066	947,638	2,368,498
<b>Total liabilities and fund balances</b>	<b>\$ 5,570,436</b>	<b>39,189</b>	<b>371,701</b>	<b>322,154</b>	<b>1,279,804</b>	<b>951,716</b>	<b>8,535,000</b>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2010

<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 2,368,498</b>
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	144,908
Internal Service Fund assets that are to be included with governmental funds.	443,698
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,800,454
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(25,158)
Long-term liabilities, including bonds payable, early retirement payments and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(8,106,554)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 6,625,846</u></b>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Total
<b>Revenues:</b>							
Local sources:							
Local tax	\$3,866,475	-	219,610	290,984	605,386	671,437	5,653,892
Tuition	352,775	-	-	-	-	-	352,775
Other	228,955	338,353	25,834	17,726	15,797	23,181	649,846
State sources	5,548,193	-	-	-	-	-	5,548,193
Federal sources	1,105,365	-	-	16,258	-	-	1,121,623
Total revenues	11,101,763	338,353	245,444	324,968	621,183	694,618	13,326,329
<b>Expenditures:</b>							
Instruction	7,726,325	331,412	142,392	-	-	-	8,200,129
<b>Support services:</b>							
Student services	276,310	-	-	-	-	-	276,310
Instructional staff services	454,551	-	-	135,656	-	10,691	600,898
Administration services	1,012,456	-	-	42,902	-	-	1,055,358
Operation and maintenance of plant services	735,467	-	154,371	-	-	-	889,838
Transportation services	346,519	-	-	126,257	-	-	472,776
	2,825,303	-	154,371	304,815	-	10,691	3,295,180
<b>Other expenditures:</b>							
Long-term debt:							
Principal	-	-	-	-	545,000	-	545,000
Interest	-	-	-	-	319,985	-	319,985
Services	-	-	-	-	7,611	-	7,611
Facilities acquisition and construction	-	-	-	46,998	-	281,846	328,844
AEA flowthrough	506,620	-	-	-	-	-	506,620
	506,620	-	-	46,998	872,596	281,846	1,708,060
Total expenditures	11,058,248	331,412	296,763	351,813	872,596	292,537	13,203,369

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Total
Excess (deficiency) of revenues over (under) expenditures	43,515	6,941	(51,319)	(26,845)	(251,413)	402,081	122,960
Other financing sources (uses):							
Operating transfers in	-	-	-	-	260,901	-	260,901
Operating transfers out	-	-	-	-	-	(260,901)	(260,901)
	-	-	-	-	260,901	(260,901)	-
Net change in fund balances	43,515	6,941	(51,319)	(26,845)	9,488	141,180	122,960
Fund balances beginning of year	393,964	32,248	323,020	35,270	654,578	806,458	2,245,538
Fund balances end of year	\$ 437,479	39,189	271,701	8,425	664,066	947,638	2,368,498

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ 122,960

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities  
This represents the change from FY09 to FY10

27,721

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 166,480	
Depreciation expense	<u>(393,646)</u>	(227,166)

Undepreciated cost of capital assets disposed of during FY10 (26,371)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,508

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

545,000

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.

40,261

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	(61,000)	
Early retirement additions	(223,133)	
Early retirement payments	<u>105,898</u>	<u>(178,235)</u>

Change in net assets of governmental activities (Exhibit B) \$ 305,678

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2010

	Business Type	Governmental Activities
	School Nutrition	Internal Service
<b>Assets</b>		
Cash and pooled investments	\$ 152,223	463,640
Inventories	17,417	-
Capital assets, net of accumulated depreciation	108,821	-
<b>Total assets</b>	<u>278,461</u>	<u>463,640</u>
<b>Liabilities</b>		
Accrued salary and benefits	11,396	19,942
<b>Total liabilities</b>	<u>11,396</u>	<u>19,942</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	108,821	-
Unrestricted	158,244	443,698
<b>Total net assets</b>	<u>\$ 267,065</u>	<u>443,698</u>

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2010

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 267,170	1,430,791
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	218,993	-
Benefits	42,108	-
Services	21,428	-
Supplies	343,103	-
Depreciation	6,536	-
	632,168	-
Internal service programs:		
Benefits	-	1,397,567
Total operating expenses	632,168	1,397,567
Operating profit (loss)	(364,998)	33,224
Non-operating revenues:		
Local sources	1,337	7,037
State sources	6,130	-
Federal sources	386,950	-
	394,417	7,037
Net change in fund net assets	29,419	40,261
Net assets beginning of year	237,646	403,437
Net assets end of year	\$ 267,065	443,698

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	<u>Enterprise</u>	<u>Internal</u>
	<u>School</u>	<u>Service</u>
	<u>Nutrition</u>	<u>Health</u>
		<u>Insurance</u>
Cash flows from operating activities:		
Cash received from sale of services	\$ 267,170	1,430,791
Cash payments to employees for services	(261,101)	(1,394,900)
Cash payments to suppliers for goods or services	(323,785)	-
Net cash provided by (used by) operating activities	<u>(317,716)</u>	<u>35,891</u>
Cash flows from non-capital financing activities:		
State grants received	6,130	-
Federal grants received	348,796	-
Net cash provided by non-capital financing activities	<u>354,926</u>	<u>-</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	<u>(30,364)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,337</u>	<u>7,037</u>
Net increase in cash and cash equivalents	8,183	42,928
Cash and cash equivalents beginning of year	<u>144,040</u>	<u>420,712</u>
Cash and cash equivalents end of year	<u>\$ 152,223</u>	<u>463,640</u>
<b>Reconciliation of operating profit (loss) to net cash</b>		
<b>provided by (used by) operating activities:</b>		
Operating profit (loss)	\$ (364,998)	33,224
Adjustments to reconcile operating profit (loss) to net cash		
provided by (used by) operating activities:		
Depreciation	6,536	-
Commodities used	38,154	-
(Decrease) in inventory	(142)	-
Increase in accrued salary benefits	<u>2,734</u>	<u>2,667</u>
	<u>(317,716)</u>	<u>35,891</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received federal commodities valued at \$38,154.

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trusts	Agency Funds
<b>Assets</b>		
Cash and pooled investments	\$ 38,135	441
<b>Liabilities</b>		
Other payables	-	441
<b>Net Assets</b>		
Reserved for special purposes	<u>\$ 38,135</u>	<u>-</u>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trusts
Additions:	
Local sources:	
Contributions	\$ -
Interest on investments	1,428
Total additions	<u>1,428</u>
Deductions:	
Instruction:	
Other	1,369
Total deductions	<u>1,369</u>
Change in net assets	59
Net assets beginning of year	<u>38,076</u>
Net assets end of year	<u>\$ 38,135</u>

See notes to financial statements.

# HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### (1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Hampton-Dumont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to include all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1%% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.



Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functions. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2010.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 208,800	-	6,300	202,500
Capital assets being depreciated:				
Buildings	14,412,890	-	671,502	13,741,388
Furniture and Equipment	1,351,488	166,480	169,923	1,348,045
Total capital assets being depreciated	15,764,378	166,480	841,425	15,089,433
Less accumulated depreciation for:				
Buildings	2,980,449	274,828	651,431	2,603,846
Furniture and Equipment	938,738	118,818	169,923	887,633
Total accumulated depreciation	3,919,187	393,646	821,354	3,491,479
Total capital assets being depreciated, net	11,845,191	(227,166)	20,071	11,597,954
Governmental activities, capital assets, net	\$ 12,053,991	(227,166)	26,371	11,800,454
<b>Business type activities:</b>				
Furniture and equipment	\$ 130,026	30,364	-	160,390
Less accumulated depreciation	45,033	6,536	-	51,569
Business type activities capital assets, net	\$ 84,993	23,828	-	108,821

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Unallocated

\$ 393,646

Business Type activities:

Food service operations

\$ 6,536

### (4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year
Net OPEB Liability	\$ -	61,000	-	61,000
General Obligation Bond	6,855,000	-	335,000	6,520,000
Revenue Bonds	1,320,000	-	210,000	1,110,000
Early Retirement Payable	298,319	223,133	105,898	415,554
Total	\$8,473,319	284,133	650,898	8,106,554

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$461,512, \$418,140, and \$397,331 respectively, equal to the required contributions for each year.

**(6) Risk Management**

Hampton-Dumont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is currently only self-funding \$1,500 of each employee's deductible. The District previously self-insured its health care plan with coverage only for excess losses. All claims from that plan have been paid. The Self-Insurance Fund is funded by the General Fund to the extent of its possible liability. Any funds remaining are deemed to be liabilities to cover any claims the District may receive after the end of the fiscal year.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$506,620 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Early Retirement Payable**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is based on length of service to the District. Early retirement benefits paid during the year ended June 30, 2010, totaled \$105,898. A long-term liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

**(9) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010.

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2009-10A	6/25/09	6/23/10	\$ -	500,000	500,000	-
2009-10B	2/01/10	1/21/11	-	-	-	-
Total			\$ -	<u>500,000</u>	<u>500,000</u>	<u>-</u>

During the year ended June 30, 2010, the District paid \$53,451 of interest on the ISCAP warrants.

**(10) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$260,901</u>

**(11) General Obligation Bonds Payable**

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of May 1, 2005</u>			
	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	3.500%	\$ 264,989	350,000	614,989
2012	3.625	252,739	365,000	617,739
2013	3.750	239,508	380,000	619,508
2014	4.000	225,257	400,000	625,257
2015	4.000	209,258	415,000	624,258
2016-2020	4.000-4.100	783,487	2,345,000	3,128,487
2021-2024	4.200-4.450	<u>253,581</u>	<u>2,265,000</u>	<u>2,518,581</u>
Total		<u>\$2,228,819</u>	<u>6,520,000</u>	<u>8,748,819</u>

**(12) Revenue Bonds Payable**

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of July 1, 2004</u>			
	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	3.30%	\$ 36,910	220,000	256,910
2012	3.50	29,342	225,000	254,342
2013	3.70	21,058	235,000	256,058
2014	3.80	12,055	245,000	257,055
2015	4.00	<u>3,700</u>	<u>185,000</u>	<u>188,700</u>
Total		<u>\$103,065</u>	<u>1,110,000</u>	<u>1,213,065</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,050,000 bonds issued in May, 2004. The bonds were issued for the purpose of financing a portion of the costs of a Middle School. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,213,065. For the current year, \$210,000 of principal and \$43,690 of the interest was paid on the bonds and total statewide sales, services and use tax revenues were \$675,062.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$205,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance in that account at June 30, 2010 was \$205,000.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**(13) Commitments**

The District entered into a five year lease for the use of the auditorium and gym at the former middle school property. The lease price was \$10,000 in FY2010 and will increase 3% annually for the next four years. The District also has 3 - five year options to renew the lease at their discretion. These also have 3% annual increases included.

In July, 2010 the District has entered into a contract for \$799,684 for Phase I of the installation of a geothermal well field at the high school. Construction was to be performed in the fall of 2010.

**(14) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 175 active and 13 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$145,000
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	145,000
Contributions made	(84,000)
Increase in net OPEB obligation	61,000
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ 61,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The year ended June 30, 2010, the District contributed approximately \$84,000 to the medial plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$145,000	57.9%	\$61,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.422 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.422 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,054,000 and the ratio of the UAAL to covered payroll was 20.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$1,152 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## Required Supplementary Information



# HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

## Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 6,656,513	268,507	6,925,020	7,003,383	7,003,383	(78,363)
State sources	5,548,193	6,130	5,554,323	6,742,169	6,742,169	(1,187,846)
Federal sources	1,121,623	386,950	1,508,573	630,000	630,000	878,573
Total revenues	13,326,329	661,587	13,987,916	14,375,552	14,375,552	(387,636)
Expenditures/expenses						
Instruction	8,200,129	-	8,200,129	8,275,000	8,275,000	74,871
Support services	3,295,180	-	3,295,180	3,240,000	3,240,000	(55,180)
Non-instructional programs	-	632,168	632,168	609,615	609,615	(22,553)
Other expenditures	1,708,060	-	1,708,060	2,119,434	2,119,434	411,374
Total expenditures/expenses	13,203,369	632,168	13,835,537	14,244,049	14,244,049	408,512
Excess of revenues over expenditures/expenses	122,960	29,419	152,379	131,503	131,503	20,876
Other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures/expenses and other financing uses	122,960	29,419	152,379	131,503	131,503	20,876
Balance beginning of year	2,245,538	237,646	2,483,184	1,575,215	1,575,215	907,969
Balance end of year	\$ 2,368,498	267,065	2,635,563	1,706,718	1,706,718	928,845

See accompanying independent auditor's report.

# **HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

## **Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functions. The District did not exceed the General Fund unspent authorized budget.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
2010	Jul 1, 2009	\$0	\$1,422	\$1,422	0.0%	\$7,054	20.2%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
IT Adventures Club	437	-	-	437
Girls' Book Club	876	268	187	957
Character Counts	294	2,313	2,218	389
Key Club	-	880	724	156
Cheerleading	683	9,779	10,462	-
DECA	671	5,365	5,982	54
Drama	200	117	317	-
FBL	288	1,077	1,124	241
FCA	271	120	370	21
FCCLA	2,299	171	473	1,997
FFA	4,557	29,359	32,373	1,543
Future Teachers	1,871	245	362	1,754
International Club	426	344	635	135
Mock Trial	783	662	747	698
SADD	300	205	127	378
Student Council	1,386	1,667	2,070	983
Drill Team	119	1,318	1,437	-
Dramatics - Plays & Musicals	860	1,595	957	1,498
Music - Instrumental	-	7,738	7,738	-
Music - Vocal	-	5,752	5,752	-
Speech	569	85	278	376
Publications	-	11,570	11,570	-
Special Instrumental Fund	-	1,941	1,941	-
Special Vocal Fund	-	641	641	-
Vocal NY Trip	-	963	554	409
Freshman Class	-	7,727	7,727	-
Senior Class	1,937	4,914	3,360	3,491
Junior Class	4,373	3,993	4,627	3,739
Sophomore Class	3,739	-	382	3,357
Activity Fund Change	-	49,519	49,519	-
Soccer	-	2,980	-	2,980
Cross Country	35	969	1,004	-
Basketball - Boys	722	6,880	5,118	2,484
Football	2,304	18,886	15,236	5,954
Baseball	-	9,566	9,566	-

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Track - Boys	-	3,453	3,247	206
Golf - Boys	-	1,254	1,254	-
Wrestling	-	4,879	4,879	-
Basketball - Girls	856	8,376	6,707	2,525
Volleyball	670	9,865	10,535	-
Softball	-	4,715	4,715	-
Track - Girls	-	3,198	2,622	576
Golf - Girls	-	1,531	1,531	-
Activity Tickets	-	122,419	122,419	-
Middle School Activities	722	11,180	10,051	1,851
	32,248	360,479	353,538	39,189
Less interaccount transfer		(22,126)	(22,126)	
	<u>32,248</u>	<u>338,353</u>	<u>331,412</u>	<u>39,189</u>

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2010

	Maribel Kratovichil Memorial	Liebendorfer Scholarship	Saylor Memorial Business	Students in Need	Special Education Needs	Red Ribbon	Total
Revenues:							
Local sources:							
Contributions	-	-	-	-	-	-	-
Interest on investments	236	202	256	-	734	-	1,428
	236	202	256	-	734	-	1,428
Expenditures:							
Instruction:							
Regular instruction:							
Other	300	250	250	-	533	36	1,369
	300	250	250	-	533	36	1,369
Excess (deficiency) of revenues over (under) expenditures	(64)	(48)	6	-	201	(36)	59
Balance beginning of year	9,036	10,071	12,048	1,681	5,204	36	38,076
Balance end of year	8,972	10,023	12,054	1,681	5,405	-	38,135

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
Local sources:							
Local tax	\$ 5,653,892	5,951,406	5,558,155	5,212,791	4,891,927	4,132,199	3,547,166
Tuition	352,775	343,608	310,974	247,231	280,604	249,601	289,616
Other	649,846	684,545	890,486	779,212	494,212	1,023,487	406,629
State sources	5,548,193	6,466,110	6,049,643	5,892,259	5,450,579	5,190,228	4,933,980
Federal sources	1,121,623	416,487	365,253	309,272	539,351	281,425	1,058,244
Total	<u>\$13,326,329</u>	<u>13,862,156</u>	<u>13,174,511</u>	<u>12,440,765</u>	<u>11,656,673</u>	<u>10,876,940</u>	<u>10,235,635</u>
<b>Expenditures:</b>							
Instruction	\$ 8,200,129	7,742,453	7,582,925	7,065,695	6,997,408	5,911,398	6,114,276
Support services:							
Student	276,310	275,627	318,331	435,746	276,580	231,504	247,540
Instructional staff	600,898	334,231	588,486	574,654	554,673	537,013	424,745
Administration	1,055,358	937,527	895,293	992,143	840,642	696,654	666,446
Operation and maintenance of plant	889,838	899,872	976,448	996,419	908,120	818,084	798,856
Transportation	472,776	503,631	472,626	469,573	472,622	425,901	374,308
Other expenditures:							
Facilities acquisition	328,844	676,698	1,137,056	2,794,866	5,774,418	1,840,267	2,174,885
Debt service:							
Principal	545,000	530,000	510,000	620,891	420,876	120,819	115,765
Interest and service charges	327,596	338,365	351,320	374,007	488,742	60,321	23,272
AEA flowthrough	506,620	444,565	415,018	397,607	366,219	350,987	355,601
Total	<u>\$13,203,369</u>	<u>12,682,969</u>	<u>13,247,503</u>	<u>14,721,601</u>	<u>17,100,300</u>	<u>10,992,948</u>	<u>11,295,694</u>

See accompanying independent auditor's report.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 55,405
Summer Food Service Program for Children	10.559	FY10	14,191
National School Lunch Program (non-cash)	10.550	FY10	38,154
National School Lunch Program	10.555	FY10	254,542
			<u>362,292</u>
School Lunch Equipment Grants Stabilization	10.579	FY10	24,657
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY10	274,783
ARRA - Title I Grants to Local Educational Agencies Recovery Act	84.389	FY10	43,083
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY10	545,015
Title III - English Language Acquisition State Grants	84.365	FY10	10,436
Improving Teacher Quality - Grants to States	84.367	FY10	51,058
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY10	4,155
Grants for Assessments and Related Activities	84.369	FY10	7,553
Iowa Demonstration Construction Grant	84.215K	FY10	16,258
Area Education Agency 267:			
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY10	89,055
Special Education - Grants to States (IDEA Part B)	84.027	FY10	<u>64,814</u>
Total			<u>\$ 1,493,159</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hampton-Dumont Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of the  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

### Compliance and Other Matters

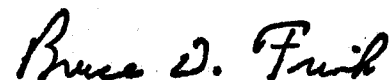
As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hampton-Dumont Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Hampton-Dumont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hampton-Dumont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK  
Certified Public Accountant

February 5, 2011

# BRUCE D. FRINK

## Certified Public Accountant

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- Iowa Society of Certified Public Accountants

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Hampton-Dumont Community School District:

#### Compliance

We have audited the compliance of Hampton-Dumont Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Hampton-Dumont Community School District's management. Our responsibility is to express an opinion on Hampton-Dumont Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

In our opinion Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Hampton-Dumont Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Hampton-Dumont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Bruce D. Frink*

BRUCE D. FRINK  
Certified Public Accountant

February 5, 2011

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A Significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
  - Title I Clustered Programs:
    - CFDA Number 84.010 - Title I Grants to Local Education Agencies
    - CFDA Number 84.389 - Title I Basic LEA Grants Stabilization
  - School Nutrition Clustered Programs:
    - CFDA Number 10.555 - National School Lunch Program (including commodities)
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.559 - Summer Food Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hampton-Dumont Community School District did not qualify as a low-risk auditee.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

II-A-10      Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-10      Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

CFDA Number 84.394 ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Education Agencies

CFDA Number 84.389 - Title I Basic LEA Grants Stabilization

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

CFDA Number 10.555 - National School Lunch Program (including commodities)

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.559 - Summer Food Program

Federal Award Year: 2010

US Department of Agriculture

Passed through Iowa Department of Education

III-A-10 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.



HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-10      Certified Budget - Expenditures for the year ended June 30, 2010, exceeded the amounts budgeted in the support services and non-instructional programs functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2010.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-B-10      Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-10      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10      Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-10      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-10      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10      Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10      Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10      Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10      Certified Annual Report - The Certified Annual Report was not filed on a timely basis with the Iowa Department of Education.
- Recommendation - We recommend that the District take the necessary measures to allow for filing the report in a timely manner.
- Response - We will file future reports in a timely manner.
- Conclusion - Response accepted.
- IV-K-10      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

# HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

Year ended June 30, 2010

### **Part IV: Other Findings Related to Required Statutory Reporting:** **(continued)**

IV-L-10      Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 290,794
Statewide sales, services and use tax revenue		675,062
Expenditures/transfers out:		
School infrastructure:		
Other improvements	\$292,537	
Debt service for school infrastructure:		
Revenue debt	<u>260,901</u>	<u>553,438</u>
Ending balance		<u>\$ 412,418</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 Of Taxable Valuation	Property Tax Dollars
Debt service levy	\$1.362	388,493
Physical Plant and Equipment Levy	<u>1.005</u>	<u>286,569</u>
	<u>\$2.367</u>	<u>675,062</u>